APPENDIX A

MEMBERS OF THE MILITARY COALITION

THE RETIRED OFFICERS ASSOCIATION (TROA)

The Retired Officers Association was founded in 1929 and has approximately 395,000 members. Membership in the Association is open to all past and present, active, reserve and retired commissioned and warrant officers in any of the seven uniformed services. The organization's mission is to support strong national defense and to represent membership on retirement and benefit issues before Congress.

AIR FORCE ASSOCIATION (AFA)

The Air Force Association was founded in 1946 and has approximately 200,000 members. Membership is open to anyone who has served in the U.S. armed forces. Other American citizens may affiliate as patrons. The organization's mission is to promote public understanding of aerospace issues and national security requirements to ensure strong support of the nation's defense and the men and women who serve in the U.S. Air Force.

AIR FORCE SERGEANTS ASSOCIATION (AFSA)

The Air Force Sergeants Association was founded in 1961. It has approximately 165,000 members and is composed of active and retired enlisted personnel in the Air Force, Air National Guard, Air Force Reserve, Army Air Corps and Army Air Force. Its members belong to 198 chapters throughout the world and the purpose of the organization is to serve as the voice of Air Force enlisted service members.

ASSOCIATION OF MILITARY SURGEONS OF THE UNITED STATES (AMSUS)

The Association of Military Surgeons of the United States received its Congressional Charter in 1908. Its

membership consists of 17,000 members and is open to all past and present commissioned officers or GS-9 and above civilians in the medical services of the United States Air Force, the United States Air Force Reserve, the United States Army, the United States Army Reserve, the Air National Guard, the Army National Guard, the United States Public Health Service and the Veterans' Administration; officers of military medical services of other nations; and past and present medical consultants to the chiefs of the federal medical services. The purpose of the Association is to improve the nation's federal health care system.

ASSOCIATION OF U.S. ARMY (AUSA)

The Association of U.S. Army was founded in 1950 and has approximately 135,000 individual and 250 industrial members. Membership is open to all active, reserve and civilian personnel in the Army, and any person subscribing to the association's bylaws. The purpose of the organization is to foster public understanding and support of the Army and the people who serve in it.

CHIEF WARRANT AND WARRANT OFFICERS ASSOCIATION, U.S. COAST GUARD (CW & WOA)

The Chief Warrant and Warrant Officer's Association was founded in 1929 and has approximately 3,300 members. Membership is open to active duty, reserve and retired Coast Guard warrant and chief warrant officers. The association's purpose is to advance members' professional abilities.

COMMISSIONED OFFICERS ASSOCIATION OF THE U.S. PUBLIC HEALTH SERVICE, INC. (COA)

The Commissioned Officers Association of the U.S. Public Health Service was founded in 1937 and has approximately 7,500 members. Membership is open to active duty, retired, inactive reserve and former commissioned officers of the U.S. Public Health Service. The

purpose of the organization is to ensure that the interests and welfare of commissioned officers of the USPHS are protected.

ENLISTED ASSOCIATION OF THE NATIONAL GUARD OF THE U.S. (EANGUS)

The Enlisted Association of the National Guard of the U.S. was founded in 1962 and has approximately 67,000 members. Membership is open to enlisted members of the National Guard through state associations and associate membership is open to all individuals through state associations. The purpose of the association is to promote and maintain adequate national security; and to foster the status, welfare and professionalism of enlisted members of the National Guard.

FLEET RESERVE ASSOCIATION (FRA)

The Fleet Reserve Association was founded in 1922. It has approximately 170,000 members who are active duty, retired enlisted personnel and commissioned officers with prior service in the Navy, Marine Corps and Coast Guard. The Association is chartered under the laws of Pennsylvania and its purpose is to represent its members on military personnel legislative matters before Congress.

MARINE CORPS LEAGUE (MCL)

The Marine Corps League was founded in 1923 and has approximately 40,000 members. Membership is open to those who served in the Marine Corps. The organization's mission is to preserve the traditions, to promote the interests of the Marine Corps, to voluntarily aid and render assistance to all Marines and former Marines, as well as to their widows and orphans.

MARINE CORPS RESERVE OFFICERS ASSOCIATION (MCROA)

The Marine Corps Reserve Officers Association was founded in 1928 and has approximately 5,700 members. Membership is open to all Marine officers and officers of other U.S. services who served with Marines. The association's mission is to support and strengthen the Marine Corps, its reserve and reserve officers.

NATIONAL ASSOCIATION FOR UNIFORMED SERVICES/SOCIETY OF MILITARY WIDOWS (NAUS/SMW)

The National Association for Uniformed Services/ Society of Military Widows was founded in 1968 and has approximately 155,000 members. NAUS/SWM membership is open to all active, retired and former members of the uniformed services, their families and survivors. The association's mission is to represent members' interests by supporting legislation that upholds the security of the United States, sustains the morale of the uniformed services and provides fair and equitable consideration for all.

NATIONAL GUARD ASSOCIATION OF THE UNITED STATES (NGAUS)

The National Guard Association of the U.S. was founded in 1878 and has approximately 54,000 members. Membership is open to all present and former officers of the Army and Air National Guard, corporate and individual associate membership. The association's mission is to improve the readiness of the National Guard and to provide personnel benefits and entitlements for the half million members of the National Guard.

NATIONAL MILITARY FAMILY ASSOCIATION (NMFA)

The National Military Family Association was founded in 1969 and has approximately 10,000 members. Mem-

bership is open to active duty, retired and reserve component members of the seven uniformed services and their family members. The association's mission is to serve as an advocate for uniformed service families and to educate and inform them concerning issues affecting their lives.

NAVAL ENLISTED RESERVE ASSOCIATION (NERA)

The Naval Enlisted Reserve Association was founded in 1957. It has 15,000 members and its membership is open to active, inactive, and retired enlisted reservists in the Navy, Marine Corps and Coast Guard. The Association's mission is to focus on members' interests, morale and well-being, and readiness and training of sea service reserve forces.

NAVAL RESERVE ASSOCIATION (NRA)

The Naval Reserve Association was founded in 1954 and consists of 25,000 members. Membership in the Naval Reserve Association is open to active, inactive and retired Naval Reserve officers and its purpose is to maintain and strengthen the nation's defense by ensuring a continued strong Navy and Naval Reserve.

NAVY LEAGUE OF THE UNITED STATES (NLUS)

The Navy League of the United States was founded in 1902 and has approximately 68,000 members. Membership is open to civilians, military reservists and retirees. The league's mission is to maintaian a strong U.S. maritime posture through support of the Navy, Marine Corps, Coast Guard and Merchant Marine.

NON COMMISSIONED OFFICERS ASSOCIATION OF THE UNITED STATES (NCOA)

The Non Commissioned Officers Association of the United States is a patriotic, civic and fraternal organiza-

tion operating under Texas Corporate Charter. The Association was founded in 1960 and has more than 160,000 members. Its membership consists of active, reserve, retired or veterans of the United States armed forces in the grades E-4 thru E-9. The purpose of the Association is to promote and protect the rights and benefits of active duty and veteran non commissioned officers and petty officers in all five branches of the armed forces and provide opportunities for them to join in patriotic, fraternal, social and benevolent activities.

RESERVE OFFICERS ASSOCIATION OF THE UNITED STATES (ROA)

The Reserve Officers Association of the United States was organized in 1922, and chartered by Congress in June 1950. Originally, the Reserve Officers Association consisted solely of Army Officers, Reserve Officers, National Guard Officers, and Retired Officers. Following World War II, the Reserve Officers Association expanded its membership to all services and it now has approximately 100,000 members. The purpose of the Association is to ensure an adequate total force of all services including both active and reserve components, and a force that is mobilization ready to meet any contingency.

THE JEWISH WAR VETERANS OF THE UNITED STATES OF AMERICA (JWV)

The Jewish War Veterans of the United States was founded in 1896 and has approximately 100,000 members. Membership is open to veterans of war time service of the Jewish faith. The organization's mission is service to veterans, Americanism, and to provide a voice on the Hill for veterans' legislation and benefits.

THE MILITARY CHAPLAINS ASSOCIATION (MCA)

The Military Chaplains Association was founded in 1925 and chartered by the 81st Congress in 1950. It has approximately 1,300 members. Membership is open to all

chaplains of the Army, Navy, Air Force, VA and Civil Air Patrol, active duty, reserve, retired and former. The organization's mission is to safeguard and strengthen the forces of faith and morality of our nation; to perpetuate and to deepen the bonds of understanding and friendship in our military services; to preserve spiritual influence and interest in all members and veterans of the armed forces; to uphold the Constitution of the United States; and to promote justice, peace and goodwill.

THE RETIRED ENLISTED ASSOCIATION (TREA)

The Retired Enlisted Association was founded in 1968 and consists of 68,000 members. Its membership is made up of enlisted retirees from all branches of the armed services and their surviving spouses. The mission of the association is to represent retired enlisted personnel and protect retiree military benefits.

U.S. ARMY WARRANT OFFICERS ASSOCIATION (USAWOA)

The U.S. Army Warrant Officers Association was founded in 1973 and has 9,000 members. Its members consist of National Guard, active duty, reserve and retired Army warrant officers. The purpose of the association is to recommend improvement of the Army, and promote technical and professional information among warrant officers.

U.S. COAST GUARD CHIEF PETTY OFFICERS ASSOCIATION (CPOA)

The U.S. Coast Guard Chief Petty Officers Association was founded in 1969. Its 11,600 members are active, retired, and reserve Coast Guard chief petty officers. The mission of the association is to promote the welfare of chief petty officers, to promote and protect the rights and benefits of all armed forces personnel and aid in Coast Guard recruiting.

APPENDIX B

Massachusetts Letter Ruling 1985-12
January 31, 1985

You request clarification of Letter Ruling 81-91 regarding the Massachusetts taxation if income received by a Massachusetts resident from a New York State contributory public employee pension. You also ask whether taxable unemployment compensation is considered earned income for purposes of the computation of personal exemptions in item 45 of the 1983 Massachusetts Resident-Individual Income Tax Return Form 1.

I. Massachusetts General Laws Chapter 62, Section 3(B)(a)(4) provides a deduction from Part B adjusted gross income of:

> . . . any income from a contributory annuity, pension, endowment or retirement fund of any state or any political subdivision thereof, provided that *income from any such similar fund established under the laws of the commonwealth is not subject to taxation in such other state* or political subdivision. (Emphasis supplied).

Pursuant to paragraph 3-a of N.Y. Tax Law, Section 612(c) income from a Massachusetts contributory public employee pension received by a New York resident is taxable if the recipient has not attained age 59½, or to the extent the income exceeds $20,000 whatever the age of the recipient. (Letter Ruling (81-91)

Therefore, the deduction set forth in Section 3(B)(a)(4) of the General Laws Chapter 62 will not apply to the income received by a Massachusetts resident from a contributory New York State Teachers Pension. A Massachusetts resident must include all income received from a contributory N.Y. State Teachers Pension in Part B taaxble income regardless of whether the particular pension would be exempt from New York state tax.

II. For Massachusetts income tax purposes in determining the Part B taxable income, the Part B adjusted gross income is reduced by certain personal exemptions. Massachusetts General Laws Chapter 62, Section 3 B(b)(2)(A) provides in pertinent part, that a husband and wife filing a joint return are entitled to ". . . a personal exemption of two thousand two hundred dollars and an amount not exceeding two thousand two hundred dollars, equal to the earned income included in Part B gross income of the spouse having the smaller amount of such income . . .".

"Earned income" for purposes of this exemption is specifically defined to mean ". . . salary, wages, other employee compensation . . .". These terms are not further defined for purposes of the earned income exemption. The Massachusetts definition of "wages" supplied in G.L. c.62B, § 1 is explicitly for ". . . withholding purposes only . . .".

In *Boston Ass'n of School Adm'rs & Supervisors v. Boston Retirement Board*, 383 Mass. 336 (1981) at 341 the Massachusetts Supreme Court indicated that the phrase, "salary, wages or other compensation" refers to remuneration geared to work or services performed.

The concept of "earned income" also arises in the context of federal income taxation. For federal income tax purposes the definition of "earned income" does not generally include unemployment compensation.

A federal "earned income" credit is available for certain low income workers. "The term "earned income" means . . . wages, salaries, tips and other employee compensation . . .". (Internal Revenue Code, Section 43). "Earned income [for purposes of this federal credit] does not include amounts received as . . . unemployment compensation . . .". (U.S. Treas. Reg. 1.43-2c(2)).

"Earned income" for purposes of calculating the federal two earners married couples deduction means ". . .

income which is earned income within the meaning of section 911(d)(2) or 401(c)2(c) . . .". (I.R.C. § 221 (b)(2)). Code Section 911(d)(2) provides that "[t]he term "earned income" means wages, salaries, or professional fees, and other amounts received as compensation for personal services actually rendered . . .".

For Massachusetts income tax purposes, taxable unemployment compensation is not considered earned income for the purposes of computing the personal exemption available under Chapter 62, Section 3B(b)(2)(A) for a married couple filing a joint return.

Therefore unemployment compensation should not be included in the computation of earned income under item 45 of the Massachusetts Resident Individual Income Tax Return.

APPENDIX C

Massachusetts Technical Information Release 89-10
February 13, 1990

Massachusetts Income Tax Treatment of Contributory Public Employee Retirement Plans of Other States

Introduction

Income from a contributory public employee retirement plan of another state received by a Massachusetts resident may be deducted from Massachusetts adjusted gross income if that State does not tax income received by its residents from a Massachusetts contributory public employee retirement plan. G.L. c. 62, § 3(B)(a)(4). Thus, whether public employee retirement income paid by another state is subject to the Massachusetts income tax depends on the other state's income tax treatment of Massachusetts public employee retirement income. Recently, a number of states changed their income tax treatment of public employee retirement income in response to the United States Supreme Court's decision in *Davis v. Michigan Department of the Treasury*, 109 S. Ct. 1500 (1989). These changes have affected the Massachusetts income tax treatment of public employee retirement income paid by certain states.

Contributory public employee retirement income from thirteen states is deductible from Massachusetts adjusted gross income under Massachusetts General Laws Chapter 62, Section 3(B)(a)(4). The purpose of this Technical Information Release (TIR) is to list those thirteen states.

Application of the Massachusetts Deduction

Massachusetts General Laws Chapter 62, Section 3(B)(a)(4), provides a deduction from Massachusetts adjusted gross income of

any income from a contributory annuity, pension, endowment or retirement fund of any other state or any political subdivision thereof, provided that income from any such similar fund established under the laws of the commonwealth is not subject to taxation in such other state or political subdivision.

Income from contributory public employee pensions of the following states and their political subdivisions is deductible under Massachusetts General Laws Chapter 62, Section 3(B)(a)(4):

Alaska
Connecticut
Florida
Hawaii
Illinois
Nevada
New Hampshire
Pennsylvania
South Dakota
Tennessee
Texas
Washington
Wyoming

This TIR is up to date through the end of each state's 1989 legislative session and may be relied upon for 1989 taxable years. The TIR does not reflect changes in other states' tax laws that may have occurred later. Information concerning any later changes may be available by contacting the taxing authority of the state in question.

APPENDIX D

Massachusetts Letter Ruling 1987-8
December 1, 1987

You have requested a letter ruling on behalf of the * * * (Authority), a political subdivision of the Commonwealth, on the Massachusetts tax consequences to Authority employees of a recent change to the Authority's retirement plan. The facts as you have explained them to us are as follows.

Facts

The Authority retirement plan requires Authority employees to contribute 4% of their salaries annually to the retirement fund. Contributions are deducted from employees' salaries and paid directly into the fund. Generally, the Internal Revenue Code treats such contributions as having been made by the employee, which meant that they were part of each Authority employee's federal gross income for the year.

In February 1988, however, the Authority amended its plan by adopting the "pick-up" provision of Code § 414 (h)(2). In doing so, the Authority stated that the picked-up contributions "shall, as permitted by IRC Section 414(h)(2), be considered employee contributions for all purposes of the Fund and included as employee compensation as defined by the Plan (Pension Agreement, Art. V, § 3(c)). Code § 414(h)(2) provides that

> in the case of any plan established by the government of any State or political subdivision thereof, or by any agency or instrumentality of any of the foregoing, where the contributions of employing units are designated as employee contributions but where any employing unit picks up the contributions, the contributions so picked up shall be treated as employer contributions.

The effect of Code § 414(h)(2) is to exclude the employee pension contributions that the Authority has "picked up" from the employees' federal gross income and from withholding requirements. *See* Rev. Rul. 77-462. When an employee receives amounts from the fund upon retirement, however, those amounts are taxable for federal income tax purposes. *See id.*

Discussion

The change to the Authority's retirement fund raises two Massachusetts tax questions: (1) how the picked-up contributions will be treated under G. L. c. 62; and (2) how payments to a retiree will be treated under G. L. c. 62. We conclude that: (1) an Authority employee is not required to include the retirement fund contributions picked up by the Authority as part of Massachusetts gross income; and (2) a retired Authority employee may exclude from Massachusetts gross income amounts received from the retirement fund.

A. *Contribution to the Fund*

The Massachusetts personal income tax statute, G. L. c. 62, imposes a tax on a taxpayer's Massachusetts gross income, which, the statute specifies, is the taxpayer's federal gross income, with certain items added thereto and other items excluded therefrom not here relevant. G. L. c. 62, § 2(a). Under Code § 414(h)(2), an Authority employee excludes retirement fund contributions picked up by the Authority from federal gross income. As a result, the employee will also exclude those contributions for Massachusetts tax purposes, unless one of the provisions of G. L. c. 62, § 2(a), requires the employee to add such contributions to federal gross income. There is no such requirement in G. L. c. 62. The picked-up retirement fund contributions are therefore not included in an employee's Massachusetts gross income. (Since the contributions are not included in gross income, employees

may not deduct them from income under G. L. c. 62, § 3(B)(a)(4).)

B. *Benefits Received from the Fund*

On the other hand, amounts received by a retired Authority employee from the retirement fund are included in federal gross income. Code § 61(a)(11). They will therefore also be taxable for Massachusetts purposes unless a specific provision of G. L. c. 62 excludes them. Section 2(a)(2)(E) of G. L. c. 62 provides that a taxpayer may exclude from Massachusetts gross income "[i]ncome from any contributory annuity, pension, endowment or retirement fund of the United States government or the commonwealth or any political subdivision thereof, to which the employee has contributed." See also G. L. c. 62, § 3(B)(a)(4). We conclude that the Authority's retirement fund is one "to which the employee has contributed" and, as a result, that the benefits Authority employees will receive from the fund when they retire are exempt from Massachusetts taxation.

Analyses of both the practical aspects of the plan as amended and the statutory language of the applicable provisions of G. L. c. 62 support this conclusion. First, the change to the Authority's retirement plan alters the substance of the pension arrangement with the Authority's employee in only on way; now, the contribution each employee must make to the fund is not taxable to the employee. The amount of the contribution, representing a percentage of the employee's total salary, remains the same as before the Authority amended its plan. The pension benefits the employee will be entitled to receive, based on the employee's salary history over the course of his or her employment, remain the same. Moreover, the amount an employee must contribute under the Federal Insurance Contributions Act (Code § 3101 *et seq.*), also based on the employee's total salary, remains the same. The retirement fund contributions thus may be said to come from the employees despite the fact that

the contributions are not taxed to the employees as a result of Code § 414(h)(2). Second, there is no requirement in G. L. c. 62 that the exclusion of retirement benefits from taxable income under G. L. c. 62, § 2(a)(2)(E) and § 3(B)(a)(4) apply only to retirement plans that were subject to the $2,000 limit on non-taxable contributions under G. L. c. 62, § 3(B)(a)(4).

APPENDIX E

Massachusetts Technical Information Release 1992-3
April 28, 1992

I. Summary

This Technical Information Release (TIR) explains the Massachusetts income tax treatment of U.S. military retirement benefits in light of the U.S. Supreme Court decision in *Barker v. Kansas*, 60 U.S.L.W. 4322 (April 21, 1992). The TIR concludes that the *Barker* decision does not negate the validity of the distinction between contributory and non-contributory public retirement plans under G.L. c. 62, § 2(a)(2)(E). Therefore, payments from non-contributory public retirement plans, generally including military retirement benefits, remain subject to the Massachusetts personal income tax.

II. Discussion

A. Federal Law

Under the Public Salary Act of 1939, 4 U.S.C. § 111, the United States permits individual states to tax the pay of federal officers and employees, provided that the tax does not discriminate against the officers or employees because of the source of their pay.[1] The Supreme Court has held that preferential tax treatment of retirement income paid to former state and local government employees, based on the source of that income, violates 4 U.S.C. § 111 when it is not extended to federal retirees. *Davis v. Michigan Department of the Treasury*, 489 U.S. 803 (1989).

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[1] 4 U.S.C. § 111 provides as follows: The United States consents to the taxation of pay or compensation for personal service as an officer or employee of the United States, a territory or possession or political subdivision thereof, the government of the District of Columbia, or an agency or instrumentality of one or more of the foregoing, by a duly constituted taxing authority having jurisdiction, if the taxation does not discriminate against the officer or employee because of the source of the pay or compensation.

Recently, the U.S. Supreme Court in *Barker v. Kansas*, 60 U.S.L.W. 4322 (April 21, 1992) decided that the state of Kansas discriminated against federal employees in violation of 4 U.S.C. § 111 when it taxed the retirement benefits of military retirees while exempting from tax the retirement benefits of former state employees. Because military "retirees" remain members of the U.S. armed forces and are subject to military justice, to restrictions on civilian employment, and to recall for active service. Kansas had attempted to justify its disparate tax treatment of payments to military retirees and state retirees by describing payments to military retirees as current reduced payments for current services, as opposed to the deferred compensation received by former state employees for past services. The Supreme Court rejected this distinction because payments to a military retiree are based on the retiree's rank and length of service and, in fact, resemble deferred compensation for services previously provided. The Court concluded that Kansas had violated 4 U.S.C. § 111 because its inconsistent tax treatment of state and federal retirees was not "directly related to, and justified by, significant differences between the two classes" of retirees. *Barker*, 60 U.S.L.W. 4322 at ——.

B. Massachusetts Statutes

Massachusetts generally imposes an income tax on the Massachusetts gross income of residents with certain deductions and exclusions, G. L. c. 62. Massachusetts gross income is defined as federal gross income with Massachusetts modifications. G.L. c. 62, § 2. One of these modifications excludes "[i]ncome from any contributory annuity, pension, endowment or retirement fund of the United States government or the commonwealth or any political subdivision thereof, to which the employee has contributed." G.L. c. 62, § 2(a)(2)(E). See also G.L. c. 62, § 3(b)(a)(4). Under the terms of this statute, either state or federal pension payments are exempt from

Massachusetts income tax if the pension funds are contributory. Military retirement benefits generally are subject to Massachusetts income tax because the military retirement system is not a contributory retirement plan. See Technical Information Release 89-6; Letter Ruling 89-1.

C. Barker Decision Does Not Invalidate Massachusetts Law

In *Barker*, the Supreme Court has recognized that state taxing systems do not necessarily violate 4 U.S.C. § 111 merely because they impose tax on the income of federal employees while exempting from tax the income of state employees. Rather, the Court stated that "we evaluate a state tax that is alleged to discriminate against federal employees in favor of state employees by inquiring 'whether the inconsistent tax treatment is directly related to, and justified by, significant differences between the two classes.'" *Barker*, 60 U.S.L.W. 4322, at ——. Thus, significant differences between classes of federal and state employees may justify different tax treatment of the incomes of those classes of employees.

Massachusetts law does not violate 4 U.S.C. § 111 because it does not discriminate against federal retirees on the basis of the source of their pay. See TIR 89-6 (responding to the *Davis* decision). The significant distinctions between the structures of contributory retirement plans and non-contributory plans directly relate to and justify the difference in tax treatment of distributions from these plans. A contributory pension is one in which amounts contributed to the plan are includible in the Massachusetts gross income of the employee (or would be included in the Massachusetts gross income of the employee if the employee were a Massachusetts resident). Under a non-tributory plan, amounts contributed on behalf of an employee are not included in the gross income of the employee and are therefore not subject to tax at the time of contribution. Thus, taxing distributions from

contributory plans can lead to double taxation, while taxing distributions from non-contributory plans will not.

The Supreme Court in *Barker* specifically refrained from invalidating different tax treatment of payments from contributory and non-contributory plans. *Barker*, 60 U.S.L.W. 4322, at —— n. 5. Consequently, the *Barker* decision does not alter the non-discriminatory distinction between payments from these plans currently found in Massachusetts law.

APPENDIX F

EXCERPT FROM 1993 MASSACHUSETTS RESIDENT INCOME TAX FORM 1— ALL SCHEDULES AND INSTRUCTIONS

Item 3

Taxable Pensions and Annuities

Income from most private pensions or annuity plans is taxable in Massachusetts. Certain government pensions, however, are exempt under Massachusetts law. In general, exempt pensions include contributory pensions from the U.S. Government or the Commonwealth of Massachusetts and its political subdivisions. Noncontributory military pensions are taxable in Massachusetts. The following section describes some specific pensions which are exempt. If your pension is exempt, enter "0" in Item 3 and note the source of the pension in the margin. For more information, refer to Technical Information Release (TIR) 89-6 or 92-3.

If your pension is not exempt, you should generally enter in Item 3 the taxable amount reported on your U.S. Form 1040A, line 11b, or U.S. Form 1040, line 17b. In some cases, however, Massachusetts law requires an adjustment to the federal amount. Distributions from annuity, stock bonus, pension, profit-sharing or deferred payment plans or contracts described in Sections 403(b) and 404 of the U.S. IRC must be adjusted to account for your contributions that have been previously taxed. Subtract from such income (as reported on your U.S. Form 1040A, line 11a, or U.S. Form 1040, line 17a) the amount of your contributions which were previously taxed by Massachusetts until the total of your taxed contributions is received. If your pension falls into this category, enter the adjusted amount in Item 3 and explain briefly (in an attached statement) why this amount is different than the amount reported on your U.S. return. If you are receiving distributions from an IRA or Keogh plan, do not report the income here; instead, please refer to the instructions for Item 10.